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Ministry of
Consumer and
Ontario Commercial Relations

CERTIFICATE
This is to certify that these
articles are effective on

Ministère de
la Consommation
et du Commerce
CERTIFICAT
Ceci certifie que les présents
statuts entrent en vigueur le

JANUARY 01 JANVIER, 2001

Director / Directrice

Business Corporations Act / Loi sur les sociétés par actions

Trans
Code

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**ARTICLES OF ARRANGEMENT
STATUTS D'ARRANGEMENT**

Form 8
Business
Corporations
Act

Formule 8
Loi sur les
sociétés par
actions

1 The name of the corporation is: Dénomination sociale de la société :

H	A	M	M	O	N	D		M	A	N	U	F	A	C	T	U	R	I	N	G		C	O	M	P	A	N	Y	
L	I	M	I	T	E	D																							

2 The new name of the corporation if changed by the arrangement: Nouvelle dénomination sociale de la société si elle est modifiée par suite de l'arrangement :

N	O	T		A	P	P	L	I	C	A	B	L	E															

3 Date of incorporation/amalgamation: Date de la constitution ou de la fusion :
1 January 1999
(Day, Month, Year)/(jour, mois, année)

4 The arrangement has been approved by the shareholders of the corporation in accordance with section 182 of the Business Corporations Act. Les actionnaires de la société ont approuvé l'arrangement conformément à l'article 182 de la Loi sur les sociétés par actions.
5 A copy of the arrangement is attached to these articles as Exhibit 'A'. Une copie de l'arrangement constitue l'annexe 'A'.
6 The arrangement was approved by the court on **19 December 2000** La cour a approuvé l'arrangement le
(Day, Month, Year)/(jour, mois, année)

and a certified copy of the Order of the court is attached to these articles as Exhibit "B". Une copie certifiée conforme de l'ordonnance de la cour constitue l'annexe "B".
7 The terms and conditions to which the scheme is made subject by the Order have been complied with Les conditions que l'ordonnance impose au projet d'arrangement ont été respectées.

These articles are signed in duplicate Les présents statuts sont signés en double exemplaire.

**HAMMOND MANUFACTURING
COMPANY LIMITED**

(Name of Corporation)
Dénomination sociale de la société)

By/Par :
(Signature) (Description of Office)
(Signature) (Fonction)

**R.F. Hammond, Chief Executive Officer and
Chairman**

Document prepared by
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EXHIBIT "A"

Plan of Arrangement under Section 182 of the *Business Corporations Act (Ontario)*

ARTICLE 1 Interpretation

1.1 Definitions

In this Plan of Arrangement unless there is something in the subject or context inconsistent therewith, the following terms shall have the following meanings, respectively:

"**Act**" means the *Business Corporations Act*, R.S.O., c. B.16, as it exists on the date hereof and as it may be amended and proclaimed in force up to the Effective Date;

"**Arrangement**" means the arrangement under the provisions of section 182 of the Act relating to Hammond which is provided for in the Plan of Arrangement;

"**Articles of Arrangement**" means articles of arrangement which are filed pursuant to section 182 of the Act to give effect to the Plan of Arrangement;

"**Board**" means the board of directors of Hammond;

"**Business Day**" means a day which is not a Saturday, Sunday or a day when banks are not open for business in Toronto, Ontario;

"**Circular**" means the Management Information Circular of Hammond to be mailed to holders of Shares in connection with the Meeting;

"**Class A Shares**" means the issued and unissued Class A Subordinate Voting shares of Hammond;

"**Class B Shares**" means the issued and unissued Class B Common shares of Hammond;

"**Class XA Shares**" means the Class XA shares in the capital of Hammond created pursuant to the Arrangement and having the attributes, as a class of shares of Hammond, described in Appendix A to the Plan of Arrangement;

"**Class YA Shares**" means the Class YA shares in the capital of Hammond created pursuant to the Arrangement and having the attributes, as a class of shares of Hammond, described in Appendix A to the Plan of Arrangement;

"**Class XB Shares**" means the Class XB shares in the capital of Hammond created pursuant to the Arrangement and having the attributes, as a class of shares of Hammond, described in Appendix A to the Plan of Arrangement;

"**Class YB Shares**" means the Class YB shares in the capital of Hammond created pursuant to the Arrangement and having the attributes, as a class of shares of Hammond, described in Appendix A to the Plan of Arrangement;

"**Corporation**" means Hammond;

"**Court**" means the Ontario Court (General Division);

"**Effective Date**" means the date shown on the certificate of arrangement giving effect to the Arrangement issued under subsection 183(2) of the Act by the Director appointed under the Act;

"**Final Order**" means the order of the Court approving the Arrangement;

"**Hammond**" means Hammond Manufacturing Company Limited, a corporation incorporated under the laws of Ontario;

"**Hammond Family**" means any one or more of the late Frederick O. Hammond, Robert F. Hammond, William G. Hammond, their respective spouses, estates, issue or heirs, any trustee, executor, administrator or personal representative of any one of them or their estates, or any corporation which any one or more of the foregoing together control within the meaning of the *Securities Act* (Ontario);

"**Hammond Transformer Division Transfer Agreement**" means the asset transfer agreement dated the Effective Date between Hammond and HPSI;

"**Hammond Shares**" means collectively the Class A Shares and the Class B Shares;

"**HPSI**" means Hammond Power Solutions Inc., a corporation incorporated under the laws of Ontario;

"**HPSI Special Shares**" means the special shares of HPSI having the attributes, as a class, described in Appendix A to the Plan of Arrangement;

"**HPSI Class A Shares**" means the Class A participating shares of HPSI having the attributes, as a class, described in Appendix A to the Plan of Arrangement;

"**HPSI Class B Shares**" means the voting Class B participating shares of HPSI having the attributes, as a class, described in Appendix A to the Plan of Arrangement;

"**Interim Order**" means the order of the Court providing, among other things, for the calling and holding of the Meeting;

"**Meeting**" means the special meeting of Hammond Shareholders to be held to consider and, if thought fit, approve the Arrangement;

"Moloney Electric" means Moloney Electric Inc., a wholly-owned subsidiary of Hammond incorporated under the laws of Ontario;

"Moloney Electric Operations" means the business assets and liabilities known as the Moloney Division of Hammond;

"Moloney Operating Agreement" means the agreement dated the Effective Date between Hammond, HPSI and Moloney relating to the operations of Moloney Electric;

"Operating Agreement" means the agreement dated the Effective Date between Hammond and HPSI relating to specified operations matters;

"Plan of Arrangement" means the plan of arrangement and any amendment or variation thereto made in accordance herewith;

"Properties" means Sterling Road, the Georgetown Property, the property located at 120 Diamond Avenue, Spruce Grove, Alberta and the property located at 127 Bridge Street, Sackville, New Brunswick;

"Properties Agreement" means the agreement dated the Effective Date between Hammond, HPSI, 1159714 [and Moloney Electric] detailing each party's obligations with respect to the Properties;

"Shares" means Class A Shares and Class B Shares of Hammond;

"Shareholders" means the holders of Class A Shares and Class B Shares;

"Transfer Agent" means Computershare Investor Services Inc., at its principal office at 100 University Avenue, Toronto, Ontario M5J 2Y1;

"Transformer Division" means the assets and liabilities transferred pursuant to the Hammond Transformer Division Transfer Agreement;

1.2 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into articles, sections and other portions and the insertion of the headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement. The terms "this Plan of Arrangement", "hereof", "herein" and "hereunder" and similar expressions refer to this Plan of Arrangement and not to any particular article, section or other portion hereof and include any agreement or instrument supplementary or ancillary hereto.

1.3 Number, Gender, Currency

Unless the context requires the contrary, words importing the singular number only shall include the plural and vice versa; words importing the use of any gender shall include all genders; and words importing persons shall include firms and corporations.

ARTICLE 2 The Arrangement

2.1 Exchange of Hammond Shares and Other Steps

At 12:01 a.m. on the Effective Date, the following shall occur and shall be deemed to have occurred in the following order without any further act or formality:

- (a) Hammond and HPSI shall execute the Hammond Transformer Division Transfer Agreement;
- (b) Hammond and HPSI shall execute the Operating Agreement;
- (c) Hammond, HPSI and Moloney Electric shall execute the Moloney Operating Agreement;
- (d) Hammond, HPSI, 1159714 and Moloney Electric shall execute the Properties Agreement;
- (e) the articles of Hammond shall be amended to create and authorize the issuance of an unlimited number of Class XA Shares, an unlimited number of Class YA Shares, an unlimited number of Class XB Shares and an unlimited number of Class YB Shares;
- (f) each person holding Class A Shares shall be deemed to have exchanged each issued and outstanding Class A Share held by such person for one Class XA Share and one Class YA Share for each Class A Share held, and each person holding Class B Shares shall be deemed to have exchanged each issued and outstanding Class B Share held by such person for one Class XB Share and one Class YB Share for each Class B Share held;
- (g) the stated capital of the Class XA and Class YA Shares shall be determined by allocating between them the stated capital of the Class A Shares in proportion to the respective fair market values of the Class XA and Class YA Shares;
- (h) the stated capital of the Class XB and Class YB Shares shall be determined by allocating between them the stated capital of the Class B Shares in proportion to the respective fair market values of the Class XB and Class YB Shares;

- (i) each person holding Class YA Shares shall be deemed to have exchanged each issued and outstanding Class YA Share held by such person for, and HPSI shall issue to each such person, one fully paid and non-assessable HPSI Class A Share in exchange for each Class YA Share held, and each person holding Class YB Shares shall be deemed to have exchanged each issued and outstanding Class YB Share held by such person for, and HPSI shall issue to each such person, one fully paid and non-assessable HPSI Class B Share in exchange for each Class YB Share held.
- (j) pursuant to subsection 24(3) of the Act and subject to a determination otherwise of the directors in accordance with the Act, the stated capital of the HPSI Class A Shares shall be designated as an amount equal to the stated capital of the Class YA Shares transferred to HPSI, and the stated capital of the HPSI Class B Shares shall be designated as an amount equal to the stated capital of the Class YB Shares transferred to HPSI;
- (k) Hammond shall, in accordance with the terms and conditions of the Hammond Transformer Division Transfer Agreement, transfer the Transformer Division to HPSI in exchange for HPSI Special Shares having a redemption and retraction amount equal to the fair market value of the Transformer Division;
- (l) HPSI shall redeem the HPSI Special Shares held by Hammond by issuing to Hammond a promissory note for the redemption amount;
- (m) Hammond shall redeem the Class YA Shares and Class YB Shares held by HPSI by issuing to HPSI a promissory note for the redemption amount of such shares;
- (n) HPSI and Hammond shall set off and cancel the promissory note of HPSI held by Hammond and the promissory note of Hammond held by HPSI;
- (o) the articles of Hammond shall be amended to delete the provisions for the Class A Shares and Class B Shares from its authorized capital;
- (p) the articles of Hammond shall be further amended to rename the Class XA Shares and Class XB Shares as Class A Subordinate Voting shares and Class B Common shares, respectively, and to delete the preferred shares; and
- (q) the number of directors of HPSI and the number of directors of HPSI to be elected at the annual meeting of shareholders of HPSI shall be deemed to be determined to be four, and Messrs. W.G. Hammond, Zoltan D. Simo, Michael J. Lawrie and William P. Buckley shall be deemed to be elected and appointed directors of HPSI.

ARTICLE 3
Certificates

3.1 Entitlement to and Delivery of Certificates

On and after the Effective Date, certificates formerly representing Shares shall represent the Class XA or Class XB Shares of Hammond (re-designated as Class A Shares or Class B Shares, respectively) for which such Shares were exchanged and in addition, the right to receive for each such Share the HPSI Class A Share or HPSI Class B Share, as the case may be, issued by HPSI in exchange for a Class YA Share or Class YB Share, in each case upon the Shareholder presenting to the Transfer Agent the certificate for such Shares accompanied by such other documents and instruments as would have been required to effect the transfer of the securities formerly represented by such certificates under the Act and the by-laws of Hammond and as the Transfer Agent may reasonably require.

APPENDIX A
to Plan of Arrangement
SHARE PROVISIONS

HAMMOND

Class XB Shares

The Class XB Common Shares ("Class XB Shares") shall have the following rights, privileges, restrictions and conditions attached thereto:

1. Dividends. The holders of the Class XB Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the directors out of moneys or property of the Corporation properly applicable to the payment of dividends, dividends in such amount and in such manner as the directors may in their discretion determine; provided that in no financial year of the Corporation shall the aggregate amount or value of dividends declared or paid in respect of any issued and outstanding Class XB Share exceed the aggregate amount or value of dividends declared or paid in respect of any Class XA Subordinate Voting Share issued and outstanding in such financial year.
2. Voting. The holders of the Class XB Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation except for a meeting of the holders of shares of any other class, as such, or a meeting of the holders of shares of a particular series. The holders of the Class XB Shares shall be entitled to four votes for each Class XB Share held.
3. Conversion. Each holder of a Class XB Share shall be entitled at his option, at any time and from time to time, (subject as hereinafter provided) to have all or any number of the Class XB Shares held by him converted into Class XA Subordinate Voting Shares upon the basis of one Class XA Subordinate Voting Share for each Class XB Share in respect of which the conversion right is exercised. The conversion right provided for in this section (c) shall be exercised by notice in writing given to the Corporation or the transfer agent for both classes of shares accompanied by the certificate representing the Class XB shares in respect of which the holder desires to exercise such right of conversion, and such notice shall be executed by the person registered on the books of the Corporation as the holder of the Class XB Shares or by his duly authorized attorney and shall specify the number of Class XB Shares which the holder desires to have converted. The holder shall pay any governmental or other tax imposed on, or in respect of, such conversion. Upon receipt by the Corporation or the transfer agent of such notice and certificate, the Corporation shall issue, or cause to be issued, to the holder so exercising the conversion right in respect of the Class XB Shares, a certificate representing Class XA Subordinate Voting Shares upon the basis above prescribed and in accordance with the provisions hereof. If less than all of the Class XB Shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate representing the number of Class XB Shares represented by the original certificate which are not be converted.

4. Distribution. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of its assets among its shareholders by way of repayment of capital, the holders of the Class XB Shares shall be entitled to share pro rata with the Class XA Subordinate Voting Shares.

Class XA Shares

The Class XA Subordinate Voting Shares ("Class XA Shares") shall have the following rights, privileges, restrictions and conditions attached thereto:

1. Dividends. The holders of the Class XA Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the directors out of moneys or property of the Corporation properly applicable to the payment of dividends, dividends in such amount and in such manner as the directors may in their discretion determine and regardless of whether dividends are declared or paid in respect of the shares of any other class or series.
2. Voting. The holders of the Class XA Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation except for a meeting of the holders of shares of any other class, as such, or a meeting of the holders of shares of a particular series. The holders of the Class XA Shares shall be entitled to one vote for each Class XA Share held.
3. Deemed Conversion on Charge of Control
 - (a) In the event that neither (i) the Hammond Family nor (ii) an Acceptable Successor continues to beneficially own, directly or indirectly, such number of Class XA Shares, Class XB Shares or any other class or series of shares of the Corporation to which are attached in the aggregate not less than 50% of the votes attaching to all issued shares of the Corporation, each Class XA Share shall be deemed to have been converted into one Class XB Share as of and on the date on which the Hammond Family or an Acceptable Successor, as the case may be, ceases to own such number shares.
 - (b) If the Corporation or the Transfer Agent becomes aware that each Class XA Share shall be or has been converted into a Class XB Share in accordance with section (c)(1), it shall give notice in writing of such fact to each holder of Class XA Shares registered on the books of the Corporation and invite each such holder to deliver to the Transfer Agent the certificate representing the Class XA Share converted. The holder shall pay any governmental or other tax imposed on, or in respect of, such conversion. Upon receipt by the Transfer Agent of such certificate, the Corporation shall issue, or cause to be issued, to the holder tendering the certificate, a new certificate representing Class XB Shares upon the basis prescribed and in accordance with the provisions hereof.

(c) For the purposes of section (c)

"Acceptable Successor" means any person or persons acting jointly or in concert who beneficially own, directly or indirectly, such number of Class XA Shares, Class XB Shares or any other class or series of shares of the Corporation to which are attached not less than 50% of the votes attaching to all issued shares of the Corporation, provided that all such Class XB Shares so owned by such person or persons which have been acquired from the Corporation, the Hammond Family or another Acceptable Successor have been acquired:

- (A) at a price or for consideration of a value attributable to the Class XB Shares not exceeding the then Current Price of the Class XA Shares on a Published Market, plus 15%; or
- (B) in a transaction or series of transactions including the making of an Offer for Class XA Shares (A) at a price or for consideration of a value not less than the price or value attributable to, and on terms not less favourable than the terms applying to the purchase of the Class XB Shares, on a share for share basis, and (B) comprising the lesser of all the Class XA Shares or that number of Class XA Shares equal to the number of Class XB Shares acquired multiplied by four.

"Current Price" means at any date the simple average of the closing price of the Class XA Shares for each day on which there was a closing price and falling not more than 10 business days before such date; and closing price shall mean the price per security at which the last trade in Class XA Shares was effected in the Published Market on the date, exclusive of

- (1) odd lot transactions; and
- (2) block transactions and other transactions effected in a manner recognized by the rule of the Published Market and the differ from the conventional pricing process applicable to the market,

but on a day in which no transactions other than the transactions referred to in (A) and (B) occurred, but as to which closing bid and ask prices were published, the closing price is the average of such bid and ask prices.

"Hammond Family" means any one or more of the late Frederick O. Hammond, Robert F. Hammond, William G. Hammond, their respective spouses, estates, issue or heirs, any trustee, executor, administrator or personal representative of any of them or their estates, or any corporation which any one or more of the foregoing together control within the meaning of the *Securities Act* (Ontario); and

"Offer" means an offer to purchase, a solicitation or acceptance of an offer to sell or an invitation to make an offer to sell (or any combination thereof) Class XA Shares made by an Offeror to all or substantially all or substantially all of the holders of Class XA Shares whose last address on the records of the Corporation is in Canada and shall include any amended, supplemented or extended Offer and any Offer made through the facilities of a stock exchange on which the Class XA Shares are listed.

"Offeror" means any person or company, other than an agent, who makes an Offer, including the Corporation, and shall include any persons or companies who make an Offer of Offers acting jointly or in concert.

"Published Market" means The Toronto Stock Exchange or if the Class XA Shares are not then listed on such Exchange, any other market on which the Class XA Shares are traded if the prices at which they have been traded on the market are regularly published or made available by any securities commission in Canada or in any bona fide newspaper or business or financial publication of general and regular paid circulation.

"Transfer Agent" means the principal transfer agent for the Class XA Shares.

4. Distributions. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of its assets among its shareholders by way of repayment of capital, the holders of the Class XA Shares shall be entitled to share pro rata with the Class XB Shares

Class YA and Class YB Shares

The Class YA (hereinafter called "Class YA shares"), and the Class YB (hereinafter called "Class YB shares", and the Class YA shares and Class YB shares being sometimes herein collectively called the "Y Special shares") shall have attached thereto the following preferences, rights, conditions, restrictions, limitations or prohibitions:

1. Dividends
 - (a) The holders of the Class YA shares and of the Class YB shares shall be entitled to non-cumulative dividends as and when declared by the directors. No dividends shall be declared or paid on the Class YA shares or the Class YB shares unless simultaneously a dividend is declared and paid on both such classes of shares. The directors may, in declaring a dividend, provide for payment thereof in whole or in part in the manner set out in paragraph (1)(B) hereof.
 - (b) In declaring dividends the directors may at any time and from time to time provide for the payment, in whole or in part, of dividends on the Class YA shares or the Class YB shares (or a combination thereof) by way of stock dividend payable in Class YA shares or Class YB

shares (or a combination thereof) of the Corporation. The directors may determine which, if any, shareholders have the right to elect to receive dividends in the form of a stock dividend payable in Class YA shares or Class YB shares of the Corporation. Any stock dividend paid in Class YA shares or Class YB shares shall have a value as determined by the directors, that is substantially equivalent as of the date or a period of days determined by the directors, to the cash amount of such dividends. Unless the directors otherwise determine, shareholders shall receive cash in lieu of any fractional interests in shares to which they would otherwise be entitled.

2. Voting

The holders of the Y Special shares shall not be entitled as such (except as herein specifically provided) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting. The holders of the Y Special shares shall, however, be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or substantially all of the property of the Corporation other than in the ordinary course of business of the Corporation under subsection 184(3) of the *Business Corporations Act*.

3. Redemption Rights

(a) The Corporation may by notice to the holders of the Y Special shares redeem at any time the whole or from time to time any part of the then outstanding Y Special shares. Upon redemption, the Corporation shall pay to the holders of shares to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of:

(A) all dividends declared thereon and unpaid;

plus

(B) an amount (the "Redemption Amount") equal to the quotient obtained when:

(1) the fair market value of all issued shares of the Corporation immediately before the first issuance of the Y Special shares;

is multiplied by

(2) the percentage that

(i) the fair market value of the Transformer Division owned by the Corporation immediately before the first issuance of Class Y Special shares, net of liabilities allocable to the Transformer Division as determined by the Board;

is of

- (ii) the aggregate of the fair market value of the Transformer Division owned by the Corporation immediately before the first issuance of the Y Special shares and the fair market value of the remainder of the property of the Corporation, net of all liabilities of the corporation immediately before the final issuance of the Y Special shares as determined by the Board; and
 - (3) the product is divided by the number of Y Special Shares issued as a result of the deemed exchange of the Class A shares and Class B shares of the Corporation pursuant to section 2.1(f) of the Plan of Arrangement to which this Appendix A is attached.
- (b) If notices of any redemption are given by the Corporation and if amounts sufficient to redeem the shares are deposited with any trust company or chartered bank in Canada, as specified in the notice, in trust for the holders of the shares to be redeemed on or before the date fixed for redemption, dividends on the shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Corporation in respect thereof except, upon the surrender of certificates evidencing such shares, to receive payment therefor out of the moneys so deposited. In case part only of the then outstanding Y Special shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the board of directors in its discretion shall decide or, if the board of directors so determines may be redeemed pro rate, disregarding fractions, and the board of directors may make such adjustments as may be necessary to avoid the redemption of fractional parts of shares.

4. Retraction Rights

- (a) A holder of Y Special shares shall be entitled to require the Corporation to redeem at any time the whole or any part of such holder's Y Special shares. Upon such redemption the Corporation shall pay to such holder in respect of each share to be redeemed an amount equal to
 - (A) all dividends declared thereon and unpaid;
 - plus
 - (B) the Redemption Amount as hereinbefore defined.
- (b) A holder of Y Special shares desiring to have shares redeemed by the Corporation as herein provided shall deposit with the Corporation the certificates evidencing the shares which the holder wishes to have redeemed, together with a notice requiring the redemption of all or a specific number of such shares. The Corporation shall redeem such number of shares and pay such amount within ten (10) days after such deposit. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. If the holder specifies in the notice requiring redemption that a part only of the Y

Special shares evidenced by any deposited share certificate is to be redeemed, the Corporation shall issue and deliver to such holder, at the expense of the Corporation, a new certificate evidencing the shares which are not to be redeemed. Upon redemption and payment as aforesaid, dividends on the shares redeemed shall cease and the holder thereof shall thereafter have no rights against the Corporation in respect thereof.

5. Distribution Rights on Liquidation

- (a) If the Corporation is liquidated, dissolved or wound-up or its assets are otherwise distributed among the shareholders by way of repayment of capital, whether voluntary or involuntary, the holders of the Y Special shares shall be entitled to receive, before any distribution of any assets of the Corporation among the holders of the Class A shares, Class B shares, Class XA shares and Class YA shares, an amount in respect of each Y Special share held, equal to the sum of:
 - (A) all dividends declared thereon and unpaid;plus
 - (B) the Redemption Amount as hereinbefore defined.
- (b) The holders of the Y Special shares shall not be entitled to share any further in the distribution of the assets of the Corporation.

6. Equality of Treatment

- (a) None of the Class YA shares or the Class YB shares shall be subdivided, consolidated, reclassified or otherwise changed, unless contemporaneously therewith the other classes of shares are subdivided, consolidated, reclassified or otherwise changed in the same proportion and in the same manner.
- (b) Any amendment to the articles of the Corporation to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Class YA shares or the Class YB shares respectively, or to create special shares ranking in priority to, or pari passu with the Class YA shares or the Class YB shares, in addition to the authorization by special resolution, may be authorized by at least two-thirds of the votes cast at a meeting of the holders of the Class YA shares and the Class YB shares respectively, which may be held concurrently duly called for that purpose, the formalities to be observed with respect to the giving of notice of any meeting of the Class YA shareholders and/or Class YB shareholders and the conduct thereof and the quorum therefor shall mutatis mutandis be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders.
- (c) Save as aforesaid, each Class YA share and each Class YB share shall have the same rights and attributes and be the same in all respects.

HPSI

Class B Shares

The Class B Common Shares ("Class B Shares") shall have the following rights, privileges, restrictions and conditions attached thereto:

1. **Dividends.** The holders of the Class B Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the directors out of moneys or property of the Corporation properly applicable to the payment of dividends, dividends in such amount and in such manner as the directors may in their discretion determine; provided that in no financial year of the Corporation shall the aggregate amount or value of dividends declared or paid in respect of any issued and outstanding Class B Share exceed the aggregate amount or value of dividends declared or paid in respect of any Class A Subordinate Voting Share issued and outstanding in such financial year.
2. **Voting.** The holders of the Class B Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation except for a meeting of the holders of shares of any other class, as such, or a meeting of the holders of shares of a particular series. The holders of the Class B Shares shall be entitled to four votes for each Class B Share held.
3. **Conversion.** Each holder of a Class B Share shall be entitled at his option, at any time and from time to time, (subject as hereinafter provided) to have all or any number of the Class B Shares held by him converted into Class A Subordinate Voting Shares upon the basis of one Class A Subordinate Voting Share for each Class B Share in respect of which the conversion right is exercised. The conversion right provided for in this section (c) shall be exercised by notice in writing given to the Corporation or the transfer agent for both classes of shares accompanied by the certificate representing the Class B shares in respect of which the holder desires to exercise such right of conversion, and such notice shall be executed by the person registered on the books of the Corporation as the holder of the Class B Shares or by his duly authorized attorney and shall specify the number of Class B Shares which the holder desires to have converted. The holder shall pay any governmental or other tax imposed on, or in respect of, such conversion. Upon receipt by the Corporation or the transfer agent of such notice and certificate, the Corporation shall issue, or cause to be issued, to the holder so exercising the conversion right in respect of the Class B Shares, a certificate representing Class A Subordinate Voting Shares upon the basis above prescribed and in accordance with the provisions hereof. If less than all of the Class B Shares represented by any certificate are to be converted, the holder shall be entitled to receive a new certificate representing the number of Class B Shares represented by the original certificate which are not be converted.
4. **Distribution.** In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of its assets among its shareholders by way of repayment of capital, the holders of the Class B Shares shall be entitled to share pro rata with the Class A Subordinate Voting Shares.

Class A Shares

The Class A Subordinate Voting Shares ("Class A Shares") shall have the following rights, privileges, restrictions and conditions attached thereto:

1. Dividends. The holders of the Class A Shares shall be entitled to receive and the Corporation shall pay thereon, as and when declared by the directors out of moneys or property of the Corporation properly applicable to the payment of dividends, dividends in such amount and in such manner as the directors may in their discretion determine and regardless of whether dividends are declared or paid in respect of the shares of any other class or series.
2. Voting. The holders of the Class A Shares shall be entitled to receive notice of and to attend any meeting of the shareholders of the Corporation except for a meeting of the holders of shares of any other class, as such, or a meeting of the holders of shares of a particular series. The holders of the Class A Shares shall be entitled to one vote for each Class A Share held.
3. Deemed Conversion on Charge of Control
 - (a) In the event that neither (i) the Hammond Family nor (ii) an Acceptable Successor continues to beneficially own, directly or indirectly, such number of Class A Shares, Class B Shares or any other class or series of shares of the Corporation to which are attached in the aggregate not less than 50% of the votes attaching to all issued shares of the Corporation, each Class A Share shall be deemed to have been converted into one Class B Share as of and on the date on which the Hammond Family or an Acceptable Successor, as the case may be, ceases to own such number shares.
 - (b) If the Corporation or the Transfer Agent becomes aware that each Class A Share shall be or has been converted into a Class B Share in accordance with section (c)(1), it shall give notice in writing of such fact to each holder of Class A Shares registered on the books of the Corporation and invite each such holder to deliver to the Transfer Agent the certificate representing the Class A Share converted. The holder shall pay any governmental or other tax imposed on, or in respect of, such conversion. Upon receipt by the Transfer Agent of such certificate, the Corporation shall issue, or cause to be issued, to the holder tendering the certificate, a new certificate representing Class B Shares upon the basis prescribed and in accordance with the provisions hereof.
 - (c) For the purposes of section (c)

"Acceptable Successor" means any person or persons acting jointly or in concert who beneficially own, directly or indirectly, such number of Class A Shares, Class B Shares or any other class or series of shares of the Corporation to which are attached not less than 50% of the votes attaching to all issued shares of the Corporation, provided that all such Class B Shares so owned by such person or persons which

have been acquired from the Corporation, the Hammond Family or another Acceptable Successor have been acquired:

- (A) at a price or for consideration of a value attributable to the Class B Shares not exceeding the then Current Price of the Class A Shares on a Published Market, plus 15%; or
- (B) in a transaction or series of transactions including the making of an Offer for Class A Shares (A) at a price or for consideration of a value not less than the price or value attributable to, and on terms not less favourable than the terms applying to the purchase of the Class B Shares, on a share for share basis, and (B) comprising the lesser of all the Class A Shares or that number of Class A Shares equal to the number of Class B Shares acquired multiplied by four

"Current Price" means at any date the simple average of the closing price of the Class A Shares for each day on which there was a closing price and falling not more than 10 business days before such date; and closing price shall mean the price per security at which the last trade in Class A Shares was effected in the Published Market on the date, exclusive of

- (1) odd lot transactions; and
- (2) block transactions and other transactions effected in a manner recognized by the rule of the Published Market and the differ from the conventional pricing process applicable to the market,

but on a day in which no transactions other than the transactions referred to in (1) and (2) occurred, but as to which closing bid and ask prices were published, the closing price is the average of such bid and ask prices.

"Hammond Family" means any one or more of the late Frederick O. Hammond, Robert F. Hammond, William G. Hammond, their respective spouses, estates, issue or heirs, any trustee, executor, administrator or personal representative of any of them or their estates, or any corporation which any one or more of the foregoing together control within the meaning of the *Securities Act* (Ontario); and

"Offer" means an offer to purchase, a solicitation or acceptance of an offer to sell or an invitation to make an offer to sell (or any combination thereof) Class A Shares made by an Offeror to all or substantially all or substantially all of the holders of Class A Shares whose last address on the records of the Corporation is in Canada and shall include any amended, supplemented or extended Offer and any Offer made through the facilities of a stock exchange on which the Class A Shares are listed.

"Offeror" means any person or company, other than an agent, who makes an Offer, including the Corporation, and shall include any persons or companies who make an

Offer of Offers acting jointly or in concert.

"Published Market" means The Toronto Stock Exchange or if the Class A Shares are not then listed on such Exchange, any other market on which the Class A Shares are traded if the prices at which they have been traded on the market are regularly published or made available by any securities commission in Canada or in any bona fide newspaper or business or financial publication of general and regular paid circulation.

"Transfer Agent" means the principal transfer agent for the Class A Shares.

2. Distributions. In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or other distribution of its assets among its shareholders by way of repayment of capital, the holders of the Class A Shares shall be entitled to share pro rata with the Class B Shares.

Special Shares

The special redeemable retractable shares without par value (hereinafter called the "Special shares") shall have attached thereto the following preferences, rights, conditions, restrictions, limitations or prohibitions:

1. Dividends
 - (a) The holders of the Special shares shall be entitled to non-cumulative dividends as and when declared by the directors. The directors may, in declaring a dividend, provide for payment thereof in whole or in part in the manner set out in paragraph (1)(B) hereof.
 - (b) In declaring dividends the directors may at any time and from time to time provide for the payment, in whole or in part, of dividends on the Special shares by way of stock dividend payable in Special shares of the Corporation. The directors may determine which, if any, shareholders have the right to elect to receive dividends in the form of a stock dividend payable in Special shares of the Corporation. Any stock dividend paid in Special shares shall have a value as determined by the directors, that is substantially equivalent as of the date or a period of days determined by the directors, to the cash amount of such dividends. Unless the directors otherwise determine, shareholders shall receive cash in lieu of any fractional interests in shares to which they would otherwise be entitled.
2. Voting

The holders of the Special shares shall not be entitled as such (except as herein specifically provided) to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting. The holders of the Special shares shall, however, be entitled to notice of meetings of shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or

substantially all of the property of the Corporation other than in the ordinary course of business of the Corporation under subsection 184(3) of the *Business Corporations Act*.

3. Redemption Rights

(a) The Corporation may by notice to the holders of the Special shares redeem at any time the whole or from time to time any part of the then outstanding Special shares. Upon redemption, the Corporation shall pay to the holders of shares to be redeemed, in respect of each share to be redeemed, an amount equal to the sum of:

(A) all dividends declared thereon and unpaid;

plus

(B) an amount (the "Redemption Amount") equal to the quotient obtained when:

(1) the fair market value of property sold or transferred to, or exchanged with the Corporation on the date of first issuance of the Special shares for consideration that includes such Special shares, less the amount of any non-share consideration, if any, paid, assumed or delivered by the Corporation for the purchase, acquisition or exchange of such property;

is divided by

(2) the number of Special shares issued as consideration for such property.

(b) If notices of any redemption are given by the Corporation and if amounts sufficient to redeem the shares are deposited with any trust company or chartered bank in Canada, as specified in the notice, in trust for the holders of the shares to be redeemed on or before the date fixed for redemption, dividends on the shares to be redeemed shall cease after the date so fixed for redemption and the holders thereof shall thereafter have no rights against the Corporation in respect thereof except, upon the surrender of certificates evidencing such shares, to receive payment therefor out of the moneys so deposited. In case part only of the then outstanding Special shares is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the board of directors in its discretion shall decide or, if the board of directors so determines may be redeemed pro rata, disregarding fractions, and the board of directors may make such adjustments as may be necessary to avoid the redemption of fractional parts of shares.

4. Retraction Rights

(a) A holder of Special Shares shall be entitled to require the Corporation to redeem at any time the whole or any part of such holder's Special Shares. Upon such redemption the Corporation shall pay to such holder in respect of each share to be redeemed an amount equal to

(A) all dividends declared thereon and unpaid;

plus

(B) the Redemption Amount as hereinbefore defined.

- (b) A holder of Special Shares desiring to have shares redeemed by the Corporation as herein provided shall deposit with the Corporation the certificates evidencing the shares which the holder wishes to have redeemed, together with a notice requiring the redemption of all or a specific number of such shares. The Corporation shall redeem such number of shares and pay such amount within ten (10) days after such deposit. Such payment shall be made by cheque payable at par at any branch of the Corporation's bankers for the time being in Canada. If the holder specifies in the notice requiring redemption that a part only of the Special Shares evidenced by any deposited share certificate is to be redeemed, the Corporation shall issue and deliver to such holder, at the expense of the Corporation, a new certificate evidencing the shares which are not to be redeemed. Upon redemption and payment as aforesaid, dividends on the shares redeemed shall cease and the holder thereof shall thereafter have no rights against the Corporation in respect thereof.

5. Distribution Rights on Liquidation

- (a) If the Corporation is liquidated, dissolved or wound-up or its assets are otherwise distributed among the shareholders by way of repayment of capital, whether voluntary or involuntary, the holders of the Special Shares shall be entitled to receive, before any distribution of any assets of the Corporation among the holders of the Class A shares and the Class B shares, an amount in respect of each Special Share held, equal to the sum of:

(A) all dividends declared thereon and unpaid;

plus

(B) the Redemption Amount as hereinbefore defined.

- (b) The holders of the Special Shares shall not be entitled to share any further in the distribution of the assets of the Corporation.

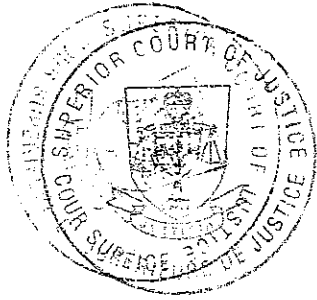
6. Equality of Treatment

Any amendment to the articles of the Corporation to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the Special shares, or to create special shares ranking in priority to, or *pari passu* with the Special shares, in addition to the authorization by special resolution, may be authorized by at least two-thirds of the votes cast at a meeting of the holders of the Special shares, which may be held concurrently duly called for that purpose, the formalities to be observed with respect to the giving of notice of any

meeting of the Special shareholders and the conduct thereof and the quorum therefor shall mutatis mutandis be those from time to time prescribed in the by-laws of the Corporation with respect to meetings of shareholders

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EXHIBIT "B"



Commercial List Court File No. 00-CL-003882

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE **MISTER**) TUESDAY, THE 19TH
JUSTICE **CAMERON**) DAY OF DECEMBER, 2000

HAMMOND MANUFACTURING COMPANY LIMITED

Applicant

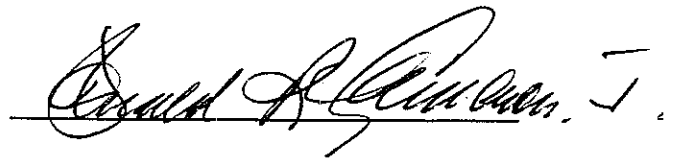
APPLICATION UNDER section 182 of the *Business Corporations Act*, R.S.O. 1990, c. B. 16, as amended, and rule 14.05(2) of the *Rules of Civil Procedure*, in respect of a proposed arrangement involving Hammond Manufacturing Company Limited and its related companies

ORDER

THIS APPLICATION, made by the Applicant, Hammond Manufacturing Company Limited ("Hammond"), for an order approving the Arrangement as set out in the Notice of Application herein, was heard this day at 393 University Avenue, Toronto, Ontario

ON READING the Notice of Application herein, the Affidavit of Robert F. Hammond sworn October 11, 2000, the Affidavit of Robert F. Hammond sworn December 14, 2000, the Affidavit of Robert P. Hutchison sworn December 18, 2000 and the exhibits thereto and other materials referred to therein, filed, and on hearing the submissions of counsel for the Applicant,

1. **THIS COURT ORDERS** that the Arrangement under section 182 of the *Business Corporations Act*, R.S.O. 1990, c. B.16, as amended, involving Hammond and its Shareholders described in the Plan of Arrangement attached as Exhibit "A" to the Affidavit of Robert P. Hutchison sworn December 18, 2000, be approved.



ENTERED AT/INSCRIT À TORONTO
ON/BOOK NO:
LE/DANS LE REGISTRE NO

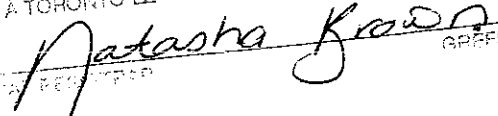
DEC 19 2000

PER/PAR: 

THIS DOCUMENT IS A COPY OF WHICH CONTAINED WITH THE SEAL OF THE COURT GENERAL DIVISION AT TORONTO, IS A TRUE COPY OF THE DOCUMENT ON FILE IN THIS OFFICE

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DATED AT TORONTO THIS 19th DAY OF December 2000
FAIT À TORONTO LE JOUR DE


GRÉFFIER LOCAL

HAMMOND MANUFACTURING COMPANY LIMITED

- Applicant -

APPLICATION UNDER section 182 of the *Business Corporations Act*, R.S.O. 1990, c. B. 16, as amended, and rule 14.05(2) of the *Rules of Civil Procedure*, in respect of a proposed arrangement involving Hammond Manufacturing Company Limited and its related companies

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

**PROCEEDING COMMENCED AT
TORONTO**

ORDER

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Hammond Manufacturing Company Limited